

ITEM:

REPORT BY THE EXECUTIVE MAYOR

ANNUAL BUDGET 2012/2013

PURPOSE OF THE REPORT

The purpose of the report is to table the multi-year 12/13 budget of the Waterberg District Municipality to Council for approval.

STATUTORY/LEGAL REQUIREMENT

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality’s integrated development plan”

Section 16(2) of the MFMA:

“...the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”

Section 17 of the MFMA states that an annual budget must be in a schedule in the “prescribed format”.

Circular 42 gives guidance on the funding of the Budget & Adjustment Budget and that all must be cash backed.

Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that:

“The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.”

Paragraph 14 of the MBRR indicates that:

“An annual budget and supporting documentation tabled in a municipal council must be in the format in which it will eventually be approved by Council and be credible and realistic such that it is capable of being approved and implemented as tabled.”

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“(a) in accordance with Chapter 4 of the Municipal Systems Act—

(i) make public the annual budget and the documents referred to in section 17(3); and

(ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget”

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity’s financial year.”

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.”

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

According to the original Budget Process Plan the annual 2012/2013 budget has to be tabled to Council 90 days before the start of the new budget year, therefore to be tabled by 31 March 2012.

After the approval by Council of the tabled 2012/2013 budget, the budget will be made public and will be submitted to National and Provincial Treasury. The municipality will embark on public participation for the Budget & IDP between March and April 2012 in terms of the 12/13 IDP/Budget Process Plan approved by Council in August 2011.

No budget related policies are attached to this item as they are currently being reviewed and will be submitted with the final budget, if any adjustments are required.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The municipal tariffs for the Abattoir and Fire Fighting have been reviewed and are attached to this budget item, although no changes are proposed from the approved 12/13 tariffs.

All current investments have been committed in terms of the 2011/2012 IDP & Budget and the 2012/2013 IDP & Budget.

The recommendation of the SALGA Wage Curve Agreement has not yet been submitted and is therefore not accommodated in this budget. There is, however, a budgeted increase on personnel expenditure of 5% as recommended by Circular 58.

The shortfall in the 12/13 operating budget of R 17,968,329 is funded from accumulated surplus carried over from the previous budget years. This includes the operating portion of IDP projects. The shortfall in the 12/13 cash flow of R 7,718,222 is funded from accumulated surplus carried over from the previous budget years. This includes the operating and capital portions of IDP projects. Attached as Sheet SA10 is the funding measurement test which indicates that all years of the budget is funded.

STAFF IMPLICATIONS

No new appointments have been budgeted in the 2012/2013 Budget year although not all existing budgeted positions have been filled yet. There are new cell phone allowances and travel allowances budgeted. There is also a new allowance budgeted in Disaster Department, namely the Operation Allowance to an amount of R 360,000.

FINANCIAL IMPLICATIONS

See attached Schedules.

Budget/IDP Road Shows will be held in March & April 2012 by the Offices of the Municipal Manager and Executive Mayor. The costs will be defrayed from the IDP votes CO11 and CO12.

OTHER PARTIES CONSULTED

WDM Municipal Manager
WDM Section 57 managers
WDM Divisional managers
WDM IDP Forums

ANNEXURES

Budget:

Table A1	-	Budget Summary
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Annexure 3	-	IDP project summary
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ANNEXURES (continued)

Supporting documents (continued):

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Table SA33 -	Contracts having future budgetary implications
Table SA34a	Capital expenditure on new assets by asset class
Table SA34b	Capital expenditure on the renewal of existing assets by asset class
Table SA34c	Repairs and maintenance by asset class
Table SA34d	Depreciation by asset class
Table SA35 -	Future financial implications of the capital budget
Table SA36 -	Detailed capital budget
Table SA37 -	Projects delayed from previous financial analysis (to be determined in July 2012)

Annexure 5 - MFMA Circular No 58 of 14 December 2011

Annexure 6 - MFMA Circular No 59 of 19 March 2012

AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Government Gazette No 34287 Notice No R 4220: Determination of Earnings Threshold for Overtime of 13 May 2011
- Municipal Budget and Reporting Regulations, Notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division Of Revenue Bill 2012/2013
- MFMA Circular No 51 of 19 February 2010
- MFMA Circular No 54 of 13 December 2010
- MFMA Circular No 55 of 7 March 2011
- MFMA Circular No 58 of 14 December 2011
- MFMA Circular No 59 of 19 March 2012

RECOMMENDATIONS

That:

1. The report by the Executive Mayor regarding the 2012/2013 Annual Budget of the Waterberg District Municipality contained in the agenda, be approved.
2. Council approve the Draft Tabled Annual Operating Budget for the financial year 2012/2013 and indicative for the two projected outer years 2013/2014 and 2014/2015.
3. Council approve the multi-year capital appropriations for the financial year 2012/2013 and indicative for the two projected outer years 2013/2014 and 2014/2015 (Council approve the projects listed in Annexure 4).
4. Council approve the Tariffs reflected in Annexure 1 for Abattoir for the Budget year 2012/2013.
5. Council approve the Tariffs reflected in Annexure 2 for Fire Fighting for the Budget year 2012/2013.
 - 5.1 That water tariffs be as per the rates of the Local Municipality.
 - 5.2 That registered indigents be treated in terms of the indigent policy of the Local Municipality.
 - 5.3 That the Fire Fighting Tariffs remain unchanged due to the current global economic downturn.
 - 5.4 That all six local municipalities be encouraged to implement these particular Tariffs for the purposes of cost recovery.
 - 5.5 That the generated fire fighting services income be monitored and deposited to the WDM on a monthly basis.
6. The operating budget allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2012/2013.

Bela Bela Municipality	R	470 623
Lephalale Municipality	R	1 054 520
Mogalakwena Municipality	R	5 961 764
Modimolle Municipality	R	1 658 937
Mookgophong Municipality	R	900 253
Thabazimbi Municipality	R	1 819 086
7. Approve the budgeted annual salary increase for councillors, officials and managers of 5% for the 2012/2013 budget year.

DRAFT ANNUAL BUDGET 2012/2013

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPIX and guidance of Circular 58 as 5.4% in 2012/2013, 5.6% in 2013/2014 and 5.4% in 2014/2015.

The multi year draft budget is presented to Council for approval.

REVENUE

Council's main source of income is Government Grants.

GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 2011/12 Division of Revenue Act, the following allocations will be made to Council:

	2012/13	2013/14	2014/15
Equitable Share	90 530 000	94 219 000	98 171 000
Mun. Systems Improvement grant	1 000 000	1 000 000	950 000
Finance Management Grant	1 250 000	1 250 000	1 250 000
EPWP Incentive Grant	1 000 000	-	-

An additional grant is received directly from the Provincial Department of Health:

	2012/13	2013/14	2014/15
Health Grant	8 772 000	9 210 600	9 671 130

The amount of this grant has not yet been confirmed as the Provincial Division of Revenue Gazette has not yet been published at the time of submission of this item.

INTEREST RECEIVED

Interest received is income from external investments and interest on the current account. Provision of R 6 300 000 was made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service. The trading service is supposed to break even, but is currently running at a loss. The Abattoir has a budgeted operating loss of R 3 144 514 for 2012/2013 (2011/2012 original budgeted loss was R 2 532 300 and 2011/2012 adjusted budgeted loss is R 2 842 301).

No tariff increase is proposed at the abattoir. The current tariffs are attached per Annexure 1.

ABATTOIR (*cont*)

An amount of R 745 000 is provided for income from the abattoir, of which R 10 000 for interest received is not included in service charges but disclosed as part of investment income.

OTHER INCOME

Other income refers to sundry income, fire fighting income and recovery of tender document costs to a total budgeted amount of R 82 950.

No Fire Fighting tariff increase is proposed for the 2012/2013 year (See attached Annexure 2). All six local municipalities must be encouraged to implement these particular Tariffs for the purposes of cost recovery. No fire fighting income has been budgeted due to the trend of the past years where no fire fighting income was recovered by the local municipalities and transferred to WDM.

The total budgeted revenue amounts to R 109 869 950 (11/12 - R 108 938 372). This is an increase of 0.8% as compared to the original 2011/2012 Budget (1.8% increase on the 2011/2012 Adjustment Budget).

Attached per **Tables A2, A3 and A4** are details on the revenue by GFS, vote and source.

EXPENDITURE

A reason for the increase in general operating expenditure is due to a number of new disaster assets being purchased since the 09/10 year to date thus increasing depreciation and insurance.

EMPLOYEE RELATED COSTS

Council's personnel expenditure increases by 6.4% in 2012/2013 to R 51 321 232 for officials (2011/2012 – R 48 237 730), excluding contributions to long service awards and post-retirement medical aid actuarial valuations.

Provision is made for a general increase of 5% for all employees as per MFMA Circular 59 (attached as Annexure 6). SALGA has not yet issued a Circular on the 2012/2013 salary increase and the Collective Agreement lapses on 30 June 2012. Council should determine if the 5% should be increased due to possible renegotiation of the increase on the Collective Agreement. There is still no outcome communicated on the Wage Curve Agreement implementation.

The Health salaries amount to R 12 168 748 (2011/2012 - R 11 308 504) which comprises 23.7% (23.4% in 2011/2012) of the total salaries – 7.61% increase year on year. The cell allowances of EHPs are proposed to be increased from R 250 to R 400 per month.

EMPLOYEE RELATED COSTS (*cont*)

The Disaster salaries amount to R 4 472 619 (2011/2012 - R 3 498 241) which comprises 8.7% (7.3% in 2011/2012) of the total salaries – 27.9% increase year on year. This excludes the salaries budgeted in local municipalities for fire fighting staff appointed by the local municipalities. The high increase is due to the new operational allowance requested for all officials of the disaster department (estimated cost R 360,000) and the protective clothing budget of R 120 814.

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the WDM approved Travel Allowance Policy. There are 56 travel allowances budgeted in comparison to a total staff compliment of 120 permanent employees (47%).

Overtime increased by 110.58% to R 200 205 in 2012/2013 (2011/2012 - R 95 073) due to the increase in overtime hours requested by the Disaster Department to 200 hours per control room operator per year. Government Gazette No 34287 Notice No R 4220: Determination of Earnings Threshold for Overtime of 13 May 2011, increased the earnings threshold for overtime from R 149 736 to R 172 000, thereby decreasing the number of staff members eligible for overtime payment. Only staff on or below a Post Level 9 is still eligible for overtime payment, the rest has to take time off for overtime worked in terms of the WDM Overtime Policy.

Wages increased by 5.75% to R 658 944 in 2012/2013 (7.69% in 2011/2012 - R 623 128).

Travel allowances have increased by 5.82% to R 5 326 542 (2.15% in 2011/2012 - R 5 033 513).

Performance bonuses for S57 managers were budgeted for all managers who were anticipated to be employed at the WDM for at least one year at 30 June 2012, thus excluding CSSS and EMO.

Budget is still provided for Provision for Leave and Provision for Officials' Bonuses due to the GRAP disclosure requirements for annual leave and officials' bonuses.

The total employee related costs amounts to R 51 321 232 for 2012/2013 (6.4% increase on 2011/2012 personnel budget of R 48 237 730) and comprises 41.49% (2011/2012 - 42.60%; 2010/11 – 43.40%; 2009/10 – 48.80%) of the total operating expenditure (including operating expenditure projects on the IDP and excluding Councillor Remuneration).

REMUNERATION OF COUNCILLORS

Councillors' salaries and allowances were based on the Government Gazette No 34869, Notice No R 1064: Determination of Earnings Threshold of 14 December 2011 plus an annual increase of 5% in 2012/2013. The budget is still compiled on a Grade 3 as the grading dispute for is still being investigated by SALGA and a formal response from SALGA and COGTA has not yet been submitted. Provision is made for six full time councillors. The total salaries and allowances for councillors amounts to R 5 474 982 (2011/2012 – R 4 909 583) and comprises 4.3% (2011/2012 – 4.3%) of the total operating expenditure. The provision made for the full time indirect MAYCO member is the difference between the remuneration package paid by the Local Municipality (Moookgophong) and the District Municipality.

GENERAL EXPENSES

The major general expenses are audit fees, subsistence & travel, depreciation, municipal services, annual insurance and security for WDM premises, abattoir, Modimolle and Lephalale disaster centres.

General expenditure also includes allocations to the Modimolle and Lephalale Disaster Centres for the operation thereof.

Provision of R 6 950 000 (2011/2012 – R 4 235 000) is made for depreciation and R 430 000 (2011/2012 - R 750 000) for amortisation, which is in line with GRAP requirements. The reason for the significant increase in depreciation is the purchase of a number of new disaster vehicles and the completed Lephalale Disaster Centre. The reason for the decrease in the amortisation is due to the lower cost of procurement of the IFMS.

REPAIRS AND MAINTENANCE

An amount of R 1 084 394 (2011/2012 – R 978 061) is provided and constitutes 0.85% (2011/2012 - 0.86%) of the total operating budget. The provision is low due to the fact that we do not have infrastructure assets. This provision is for buildings, vehicles and equipment.

CONTRACTED SERVICES

Contracted services refer to the fire fighting service which is rendered on behalf of Council by the Local Municipalities. Claims are submitted by the local municipalities on a regular basis. Provision of R 11 865 183 (2011/2012 – R 11 811 109) is made for all 6 local municipalities in total and this represents 9.2% (2011/2012 - 10.4%) of the operating budget. The provision for fire fighting per municipality is as follows:

Bela Bela Municipality	R	470 623
Lephalale Municipality	R	1 054 520
Mogalakwena Municipality	R	5 961 764
Modimolle Municipality	R	1 658 937
Mookgophong Municipality	R	900 253
Thabazimbi Municipality	R	1 819 086

The budget for the whole Disaster Department (including contract services for fire fighting) is R 24 310 460 (2011/2012 - R 19 896 202) which is an increase of 22%. The total fire fighting/disaster function thus constitutes 19% (2011/2012 - 18%) of the total operating budget. This is excluding the IDP capital expenditure portion.

MUNICIPAL HEALTH

Provision of R 17 421 678 (2011/2012 - R 13 081 000) (excluding the IDP capital expenditure) is made for Municipal Health. This includes personnel costs for 30 officials, which consist of a divisional manager, 6 environmental health heads and 23 environmental health practitioners.

National government has indicated that they will partly fund the service by providing an equitable share. As per previous equitable share breakdowns, the equitable share portion amounts to approximately R 11 768 000. The grant from the Department of Health is projected to be R 8 772 000. The total funding for this function amounts to approximately R 20 540 000. The total projected operating and IDP expenditure of the Health division amounts to R 17 421 678. There is a slight underutilisation of allocated grant money, but this is used to fund unfunded programs in the Office of the Executive Mayor and the operating loss of the Abattoir.

The total operating expenditure amounts to:

Including the IDP operating expenditure portion: R 96 803 279 (2011/12 - R 87 432 000)

Excluding the IDP operating expenditure portion : R 127 838 329 (2011/12 - R 113 209 000)

This is an increase of 10.72% (2011/12 - 6.3%) as compared to the previous financial year. The Circular 58 only allows 6% and therefore the additional increases have to be motivated as above.

Attached per **Tables A2, A3 and A4** are details on the operating expenditure by GFS, vote and source.

EXPENDITURE PER VOTE

A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

	Operating	Capital	Total
Budget & Treasury	R 11 147 389	R -	R 11 147 389 (6)
Municipal Manager	R 8 116 065	R -	R 8 116 065 (7)
Corporate Services	R 17 605 936	R 3 310 000	R 20 915 936 (3)
Planning & Econ Development	R 6 946 548	R -	R 6 946 548 (8)
Infrastructure Development	R 13 584 934	R -	R 13 584 934 (5)
Office of Executive Mayor	R 20 996 365	R -	R 20 996 365 (2)
Social Dev & Community Serv	R 3 819 390	R 490 000	R 4 309 390 (9)
Disaster (Fire Fighting)	R 24 310 460	R 5 865 000	R 30 175 460 (1)
Municipal Environmental Health	R 17 421 678	R -	R 17 421 678 (4)
Abattoir	R 3 889 514	R -	R 3 889 514 (10)
Total	R 127 838 279	R 9 665 000	R 137 503 279

IDP FUNDING

Projects were identified in terms of Council's priorities. The total cost of the projects is as follows:

2012/13	R 40 700 000
2013/14	R 18 355 000
2014/15	R 8 945 000

The IDP MTEF totals R 68 000 000 of which the full R 68 000 000 is funded by WDM (2011/2012 IDP MTEF – R 54 000 000).

The projects on the IDP are divided into operating and capital projects for the 2012/13 budget year and are as follows:

IDP Capital	R 9 665 000
IDP Operating	R 31 035 000

Attached per **Schedule A5** are the details of the IDP by **GFS, vote and source**.

Attached per **Annexure 3** is a detailed breakdown of all projects included in the IDP. This report includes the original proposed project list submitted by the S57 managers which is indicated as the "wishlist". The Budget was compiled on the projects and budget amounts recommended by the MM, indicated in the "MM proposed" column.